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Message Text

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PAGE 01 TOKYO 06372 130845Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----------118265 130851Z /17
O 130834Z APR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC IMMEDIATE 7031

C O N F I D E N T I A L TOKYO 06372

EXDIS

PASS WHITE HOUSE FOR CEA, GRAMLEY AND GOULD

E.O. 11652: GDS
TAGS: ECON, ETRD, EFIN, JA, US
SUBJECT: SCHULTZE-MIYAZAWA TETE-A-TETE APRIL 13

1. FOLLOWING SCHULTZE PRESENTATION ON U.S. ECONOMY MIYAZAWA DREW HIM ASIDE FOR EXTENSIVE TETE-A-TETE. SIGNIFICANT SUBJECT DISCUSSED WAS MIYAZAWA'S NEED TO TELL JAPANESE PRESS NATURE OF DISCUSSIONS ON FOREIGN EXCHANGE MARKET DEVELOPMENTS, ESPECIALLY YEN-DOLLAR RELATIONSHIP. MIYAZAWA PRESSED FOR SCHULTZE AGREEMENT TO HIS SAYING U.S. AS KEY CURRENCY COUNTRY RECOGNIZED ITS SPECIAL RESPONSIBILITIES FOR IXCHANGE RATE STABILITY. SCHULTZE SAID HE WAS UNABLE TO AGREE TO SUCH A FORMULATION AND MIYAZAWA AGREED HE WOULD TELL PRESS THAT HE HAD CONVEYED JAPANESE CONCERN AND THAT BOTH SIDES EXPRESSED RECOGNITION OF NEED TO CONCENTRATE ON FUNDAMENTALS IN ORDER TO BRING ABOUT A HEALTHIER ENVIRONMENT IN THE EXCHANGE MARKETS.

2. SCHULTZE REITERATED U.S. DID NOT SEEK AN APPRECIATION OF THE YEN BUT DISCOURAGED THOUGHT THAT U.S. INTERVENTION WOULD BE POSSIBLE FOR BOTH ECONOMIC AND POLITICAL
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REASONS.

3. WE BELIEVE MIYAZAWA WILL STICK TO AGREED FORMULATION WHEN HE MEETS WITH JAPANESE PRESS EVENING OF APRIL 13. WE WILL BE WATCHING APRIL 14 MORNING PRESS AND, IF NECESSARY, WILL BACKGROUND DURING AFTERNOON OF APRIL 14 SHOULD DIFFICULTIES EMERGE.

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4. MIYAZAWA HAD STRESSED JAPANESE JITTERYNESS ABOUT MOUNTING PROBLEMS FROM YEN APPRECIATION ANDDEVELOPMENT OF TENDENCY TO BLAME U.S. FOR EXERCISING MALIGN NEGLECT TOWARD JAPAN. HE SAID HE HOPED SCHULTZE WOULD CONVEY JAPAN'S INCREASING STRESS AND THE MOUNTING PUBLIC CONCERN.

5. MIYAZAWA ALSO EXPRESSED CONFIDENCE IN JAPAN'S OBTAINING SEVEN PERCENT GROWTH TARGET AND VOICED OPINION THAT CURRENT ACCOUNT SURPLUS SHOULD LOOK CONSIDERABLY BETTER BY SUMMER, IF EXCHANGE RATE STABILIZED, BY WHICH TIME J-CURVE EFFECTS SHOULD HAVE BEEN WORKED OUT.

6. SCHULTZE ACKNOWLEDGED U.S. RESPONSIBILITIES FOR ATTACKING FUNDAMENTALS SUCH AS ENERGY AND ANTI-INFLATION PROGRAM. HE ALSO EMPHASIZED THAT HE FELT IT WAS IMPORTANT FOR JAPAN TO MAKE CLEAR NOT MERELY THAT IT WAS CONFIDENT IN ITS FORECASTS BUT THAT IT WOULD BE PREPARED TO TAKE ACTIONS AS NEEDED TO MEET TARGETS WHICH MANY IN WASHINGTON WERE KEEPING CLOSE WATCH ON.

7. MIYAZAWA SPENT CONSIDERABLE AMOUNT OF TIME DESCRIBING GOVERNMENT'S PLIGHT IN DEALING WITH JAPANESE AGRICULTURE AND POLITICAL DIFFICULTY IN MAKING QUICK ADJUSTMENTS AFFECTING IMPORTS. MANSFIELD

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NOTE BY OC/T: NOT PASSED WHITE HOUSE.

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